

Revised due to additional information

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2016-17</b>		<b>FY 2017-18</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	17,630		25,999	
CASH FUNDS	83,041		8,666	
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>100,671</b>		<b>34,665</b>	

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

AM2351 to LB467 amends the Nebraska State Patrol Retirement Act and creates a second tier of benefits for officers who become members on or after July 1, 2016. The changes for the second tier of benefits are as follows.

1. The contribution rates for new officers and the state will be 17% versus the current 16%.
2. The maximum cost-of-living adjustment (COLA) will be 1% unless the plan is 100% funded. If 100% funded the Public Employees Retirement Board may grant a COLA of up to an additional 1.5%. Currently officers receive a maximum COLA of 2.5%.
3. The final compensation calculation will be averaged over 5 years of highest salary versus the current 3 years.
4. It limits the increase in compensation to 8% per year for benefit calculations in each of the 5 years preceding retirement.
5. Changes the definition of compensation for purposes of benefit calculation. Compensation will not include unused leave.
6. The Deferred Retirement Option Program (DROP) is eliminated for officers who become members on or after July 1, 2016.

An actuarial report prepared by Cananaugh Macdonald Consulting, LLC indicates that LB467 as amended, results in lower plan costs through 2036.

The Nebraska Public Employees Retirement System (NPERS) indicates one-time costs as follows.

1. One-time cost for computer programming at \$57,164.
2. One-time costs for educational and training materials at \$3,000.
3. One-time cost for an actuarial study to determine the impact on the funding status of the plan with the second tier changes at \$17,000.

NPERS also indicates the possibility of other on-going costs with managing a second tier when it is fully operational.

The State Patrol estimates the on-going cost for the increase in the employer's contribution from 16% to 17% for officers who become members on or after July 1, 2016 to be \$23,507 for FY2016-17 and \$34,665 for FY2016-17...

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>			
LB: 467	AM: 1865	AGENCY/POLT. SUB: Nebraska State Patrol	
REVIEWED BY: Gary Bush		DATE: 2/3/16	PHONE: 471-4161
COMMENTS: The estimate of costs related to a 1% increase in contributions appears to be reason assuming new officers are added on July 1 of each year. This does not appear to be practical given the timing of new classes to become a patrol officer.			

<a href="#">ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</a>		
LB: 467	AM: 1865	AGENCY/POLT. SUB: Neb. Public Employee Retirement Systems
REVIEWED BY: Gary Bush	DATE: 2/3/16	PHONE: 471-4161
COMMENTS: The estimate of costs to implement the amendment appears to be reasonable given the assumptions used.		

Please complete ALL (5) blanks in the first three lines.

**2016**

**LB<sup>(1)</sup> 467 AM 1865**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska Public Employee Retirement Systems (NPERs)

Prepared by: <sup>(3)</sup> Randy Gerke

Date Prepared: <sup>(4)</sup> 2/2/2016

Phone: <sup>(5)</sup> (402) 471-9495

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	\$77,163.75	_____	0	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$77,163.75</u>	_____	<u>0</u>	_____

Explanation of Estimate: LB467 as amended with AM1865 would change the Patrol plan. It would change the benefit calculation method for new hires, change the contribution rates for new hires, eliminate the payout of all unused leave to be allowed for calculation of final compensation purposes and change the cost of living adjustments for new hires. It would also provide for capping of compensation for benefit calculation purposes, addresses military service credit and eliminates the DROP Plan. This creates a second tier for the Patrol plan. Most provisions are for new hires after July 1, 2016.

There would be one time operational costs to the plan of \$57,163.75 for computer programming of this 2<sup>nd</sup> benefit tier. (OCIO Programmer \$82.25 x 695 hours) The increase from last year is due to programmer rate changes and the addition of adding the Military Service calculations.

Included in this fiscal note is \$3,000 for educational and training materials.

To determine the impact on the Patrol retirement plan for the elimination of DROP, creation of the 2<sup>nd</sup> tier and change in COLA provisions, there would also be an actuarial study needed to determine the impact to the plan. This would result in a one-time cost of \$17,000.

It is estimated that the change in military service credited that is currently known will cost approximately \$202,875.46 and will be paid by the State Patrol Agency. NPERs has no way of predicting future military service costs going forward.

There will be ongoing costs to maintain a separate tier for this plan when the separate tier becomes fully operational with many members.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	\$77,163.75	0
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	<u>\$77,163.75</u>	<u>0</u>

Please complete ALL (5) blanks in the first three lines.

**2016**

**LB<sup>(1)</sup> 467, AM 2351**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska State Patrol

Prepared by: <sup>(3)</sup>

Carol Aversman

Date Prepared: <sup>(4)</sup>

3-9-2016

Phone: <sup>(5)</sup>

402-471-4545

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$17,630		\$25,999	
CASH FUNDS	\$5,877		\$8,666	
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$23,507</b>	<b>\$0</b>	<b>\$34,665</b>	<b>\$0</b>

**Explanation of Estimate:**

AM 2351 results in the increase in the required retirement contribution required for State Patrol employees hired after 7/1/2016 that are members of the State Patrol Retirement Plan. The amendment requires that the contribution provided by both the employee and the employer be increased from 16% to 17%. As a result of the large number of existing employees that will be eligible for retirement, the Agency estimates that it will hire approximately 51 new troopers in FY 2016/2017, and an additional 22 new troopers in FY 2017/2018. The cost of the additional 1% employer retirement contribution is estimated to be \$23,507 for FY 2016/2017 and \$34,665 for FY 2017/2018. These costs will be incurred by the Carrier Enforcement Cash Fund (Program 205) and by the Field Services General Fund (which comprises part of Program 100). It is important to note that this change will result in increasing costs to the Agency beyond these two fiscal years. As more and more of its existing workforce retire and more employees are hired after July 1, 2016, this cost will continue to grow and multiply. The above estimates do not take into account the impact of future multiplying costs.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....			\$23,507	\$34,665
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<b>\$23,507</b>	<b>\$34,665</b>